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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

Israel Radio quoted a senior American official as saying that the talks between Israel and the Palestinians could be resumed even without a complete freeze in settlement construction and that the U.S. insists on a complete freeze in settlement construction. The radio reported that an Arab diplomat confirmed the U.S. officialQs

statement and said that Israel should content itself with a symbolic thaw of relations with the Arab states, while the Palestinians would receive in exchange a partial freeze of construction in settlements.

Both officials were interviewed by a Reuters correspondent in Washington.

The Jerusalem Post reported that two Likud rallies have been organized to express opposition to the settlement freeze PM Benjamin Netanyahu reportedly negotiated with U.S. Special Envoy for Middle East Peace George Mitchell in London. The first, scheduled for Tuesday at Tel Aviv's Azrieli Tower, was organized by Minister-without-Portfolio Yossi Peled. It is not officially an anti-Netanyahu rally but rather a "pro-Jerusalem event," and yet Knesset members who attend are expected to bash the deal the PM is negotiating with the Americans. The second, set for September 9 at the Likud's Tel Aviv headquarters, openly opposes any freeze on construction in the West Bank and will launch a "National Forum" in the Likud that will actively oppose concessions to the U.S. Three ministers have told organizers they will attend the event: Environmental Protection Minister Gilad Erdan, Communications Minister Moshe Kahlon, and Diaspora Affairs Minister Yuli Edelstein.

Organizers still hope to attract Vice PM Moshe Ya'alon and Minister-without-Portfolio Bennie Begin to the rally. In a related matter, The Jerusalem Post quoted Pinchas Wallerstein, the Director-General of the Yesha Council of Jewish Settlements in the Territories, as saying yesterday: "When Netanyahu talks of a Palestinian state, I hate it, but am not worried, because there will be no peace deal. When Netanyahu speaks about a settlement freeze, it's a death sentence for the settlement enterprise."

The media highlighted events organized yesterday to mark Gilad Shalit's 23rd birthday. Israel Radio cited the London-based Al-Hayat that quoted Egyptian sources as saying that Hamas political leader Khaled Mashal will come to Cairo next week to finalize the Shalit deal.

All media reported that yesterday in Berlin, PM Benjamin Netanyahu, who was presented the architectural blueprints of the Auschwitz-Birkenau death camps that will be permanently deposited at the Yad Vashem Museum in Jerusalem, hinted at the danger posed to Israel by the Iranian nuclear program. The media also reported that German Chancellor Angela Merkel, who ignored Netanyahu's Auschwitz-Iran comparison, reiterated the need for a freeze on settlement construction on a number of occasions during her joint press conference with the Israeli PM. Israel Radio reported that Israel is resuming its strategic dialogue with Germany, and that Netanyahu and eight of his senior ministers are slated to visit Germany in one-and-a-half months.

The Jerusalem Post reported on more illegal building in northern West Bank settlements -- for instance in Kiryat Netafim. The newspaper also cited a report published yesterday by the Ir Amim NGO -- an Israeli organization founded in 2004 to promote Israeli-Palestinian co-existence in Jerusalem -- that the GOI is helping a plan to move an additional 750 Jews into Arab areas of East Jerusalem.

Israel Radio reported that Bahrain denied a report in the British daily The Guardian that it will allow El Al planes to fly in its air space and that an Israeli Embassy and cultural mission will open in its capital, Manama. Israel Radio cited an announcement by the Bahraini Foreign Ministry that there will not be normalization with Israel until just, full peace is established in the Middle East. The Guardian had reported that Bahrain, Qatar, Morocco, and the UAE has agreed in principle to overflights by El Al airliners and the opening of diplomatic representations as part of a normalization of relations with Israel.

Former Irish President and former U.N. Human Rights Commissioner Mary Robinson, a member of the 'Elders' delegation touring Israel and the Palestinian territories, was quoted as saying in an interview with The Jerusalem Post that if Israel does not freeze settlement construction, a two-state solution may no longer be possible. Bishop Desmond Tutu, another member of the delegation, was quoted as saying in an interview with HaQaretz: The lesson that Israel must learn that the Holocaust is that it can never get

security through fences, walls, and guns.

HaQaretz reported that, standing in for the leaders of Israel, the U.S., the PA, and other regional and world actors, Israeli policy experts met this week at a Council for Peace and Security-sponsored simulation of the Obama peace initiative's launch. The daily's Akiva Eldar reported that the results of the exercise resembled reality -- hopeful but fraught with risks.

Citing FM Avigdor Lieberman's upcoming trip to several African countries, Maariv reported that the Israeli Government is trying to fight Iranian rapprochement plans in Africa.

HaQaretz and Maariv reported that Palestinian authorities in the West Bank, funded by USAID, have begun replacing Israeli-installed road signs bearing Hebrew script with new signs in just Arabic and English. The move is in preparation for a future Palestinian state. HaQaretz cited an AP report quoting Howard Sumka of USAID as saying that the project is expected to take four years and cost \$20 million.

HaQaretz quoted peace activist Prof. Leonard Fine as saying in an Internet blog that when the late Sen. Edward M. Kennedy came to Israel in 1995 to attend the funeral of assassinated PM Yitzhak Rabin, he scattered on Rabin's grave earth from the graves of his brothers, Sen. Robert F. Kennedy and President John F. Kennedy.

HaQaretz (English Ed.) reported that U.S.-born Judge Neal Hendel, who has been appointed Justice in the High Court of Justice, brings in U.S. legal experience, not just religion.

Yediot reported that many Israeli residents of Los Angeles planning to return to their homeland as a result of the current economic depression have defrauded American citizens and businesses.

Yediot reported that Beirut Mayor Abdel Mounim Ariss, who also chairs the Union of Mediterranean Cities (sic), has invited the Mayor of Haifa, Yona Yahav, to a congress on proper water usage.

The Jerusalem Post cited the results of a Smith Research poll taken this week on behalf of the newspaper: The number of Israelis who see President Obama's policies as pro-Israel has fallen to 4% from 6% in a Jerusalem Post poll in June. Fifty-one percent of Jewish Israelis consider Obama's administration more pro-Palestinian than

pro-Israeli, according to the survey, while 35% consider it neutral, and 10% declined to express an opinion. The poll asked Jewish Israelis whether they would support freezing settlement construction for a year as part of an American-brokered deal. Fifty percent said No, 41% said Yes and 9% did not express an opinion.

Mideast:

Block Quotes:

I. "Chain Reaction"

Diplomatic correspondent Aluf Benn wrote in the independent, left-leaning HaQaretz (8/28): The issue of Iran's nuclear program ... hovered in the background of [this week's Netanyahu-Mitchell] meeting. After stripping the expected rhetorical flourishes from Obama's gesture -- the talk of peace and quotations from the Koran -- its strategic purpose is laid bare: the formation of a regional coalition against Iran, led by the United States and with the participation of Israel, the Palestinian Authority, Egypt, Jordan, Morocco, Saudi Arabia and the small Gulf states. Every member will have to contribute something: the United States, the diplomatic cover and the military umbrella; Israel, the removal of checkpoints and a freeze on building in West Bank settlements; the PA, the renewal of the peace talks; Egypt and Saudi Arabia, intra-Arab legitimacy; while the Gulf and Maghreb states are to agree to an Israeli diplomatic presence on their soil and overflights by El Al Israel Airlines in their skies. The discussion is about the details -- the scope of the construction freeze and the normalization -- not the essence. The linkage between the settlements and Iran's nuclear

program cannot be taken for granted. Even if not a single new apartment is built in Ariel, Psagot or Ma'ale Levona, and even if

all the settlements are dismantled, this will not stop the spinning of the centrifuges at the Natanz uranium-enrichment facility. The converse is also true: the elimination of Iran's nuclear program, or even the collapse of Iran's Islamic regime and its replacement with a pro-Western, pro-Zionist government will not end the conflict over the Land of Israel. The absence of a direct causal relationship, however, does not mean that there is no connection. There is a big connection, due to the strategic interests of the parties.

II. "Obama Gives, Obama Gets"

Columnist Shmuel Rosner, who was HaQaretz's correspondent in Washington, wrote in the popular, pluralist Maariv (8/28): QMitchell, who always excelled in his practical caution, got another chance to help the president come down off his high horse. On the way, it looks like he also helped the Prime Minister of Israel. Both of them have made mistakes over the past several months: Obama, who rightly saw the settlements as an Israeli weak point, which is hard to defend to the public, pushed a little too hard, in a too-aggressive tone, until he even made some of the people who abhor the settlement movement angry with him. Netanyahu, who hoped to reset the political dictionary and erase the concept of the two-state solution from it, discovered that the price of such semantic ventures did not justify the gain. This week, a very practical conversation took place -- a business meeting. It was actually Netanyahu's same old give-and-take, only this time it was directed toward the American ally rather than toward the Palestinian interlocutor.... The seeds of the next calamity are already planted in the interim reports about this week's meetings between Netanyahu and Mitchell. The reason: it is not certain that Netanyahu will be able to deliver the goods that he has promised. The settlers will certainly try to circumvent the slight freeze to which Israel has agreed and object to any evacuation. Even the vague agreement about East Jerusalem invites trouble -- the Americans agreed that Jerusalem would not be frozen, but understood that Israel would try not to go too far in provocations. This means, practically speaking, that right-wing organizations and their supporters will try to embarrass the government as much as possible by purchasing and populating (two days ago, one of the big donors to these organizations had a telephone conversation in which he promised to increase the pace), and that the Palestinians will continue to expect the American referee to call a foul every time such an incident occurs. But even more than Netanyahu, it is not certain that Obama will be able to deliver the goods. For all practical purposes, the U.S. President can be compared to one who promised Israel a shipment of goods that has a bill of lading that proves that he received them, but they are not yet in the warehouse. In other words, the keeping of Mitchell's promises to Netanyahu -- and we are talking here about Qdefining goalsQ more than firm Qpromises -- depends upon the keeping of promises that other countries gave to Obama.

III. "Liberals and Israel"

The conservative, independent Jerusalem Post editorialized (8/28):

The pro-Israel liberalism embodied by [Edward] Kennedy, Hubert Humphrey, Henry Jackson, Daniel Patrick Moynihan, and Jacob Javits seems archaic nowadays. Their generation knew first-hand that the Arabs' rejection of Israel's existence was at the root of the conflict. Today, calls for throwing the Jews into the sea have been replaced by reasonable-sounding Arab initiatives for a two-state solution. Only the fine print -- pertaining to recognition, borders, militarization and refugees -- suggests something else. Once there were no settlements, and still the Arabs sought Israel's destruction. Yet yesterday, a CNN primer of the conflict pointed to settlements as the stumbling block to peace. Maybe the old Kennedy liberals were really centrists, and today's progressives are really leftists. Or maybe, 60 years on, liberals have just grown uncomfortable and impatient -- after Lebanon wars, intifadas, checkpoints, barriers, and Gaza blockades. The liberal catechism is 1. All conflicts are soluble; 2. Israel is the stronger party; 3. And so it must take the greater risks for peace. Liberals are exasperated by Israel's failure to embrace these principles

categorically. Yet we survive in this region because we don't. Edward Kennedy understood all this and more. Israel feels his loss acutely.

IV. "Bibi the Sincere, or Bibi the Cynic"

Senior columnist and longtime dove Yoel Marcus wrote in the independent, left-leaning Ha'aretz (8/28): At the very moment the world is waiting for not very far-reaching decisions on freezing construction in the territories and the removal of illegal outposts, Netanyahu finds himself in a tight spot. He has to cheat either the Jews or the goyim, or he can hitch a ride on U.S. President Barack Obama's domestic troubles and do nothing. But if he does that, the day may come when they say about us what Abba Eban said about the Palestinians, that they never miss an opportunity to miss an opportunity.... When Obama told Bibi that an important aspect of friendly relations was to behave honestly, Israel's political elite thought that double-talk in the confrontation with the Palestinians was over. But Bibi's conditioning his consent to the two-state solution on recognition of Israel as a Jewish state and the Palestinian state being demilitarized gave immediate cause for suspicion. One state cannot say what another state should look like. For example, George W. Bush insisted on democracy in Gaza, thereby dumping it into Haas's hands.... Judging by Special Envoy George Michell's activities and messages from the State Department, an American proposal will be forthcoming at the end of next month, a proposal that will be hard to reject.... Sincere or cynical, Bibi may still pull a surprise out of the cookie jar.

1V. Not a Revolt -- an Awakening

Likud Knesset Member Tzipi Hotovely wrote in the nationalist, Orthodox Makor Rishon-Hatzofe (8/28): Contrary to what might have been understood from the media, the struggle against construction freeze is not a humanitarian gesture to young couples who do not have the possibility of establishing their homes in Judea and Samaria [i.e. the West Bank]. It is the national struggle of those who believe in the right of the Jewish people to build everywhere in the Land of Israel [Israel, including the territories].... One should not get used to a reality in which leaders breach the voters' trust regarding the core issues. Tough diplomatic issues start with the erosion of principles and public silence. We cannot be allowed to wake up too late.

CUNNINGHAM